

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13  
ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00  
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00  
NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01  
TRSE-00 USIA-06 SP-02 SOE-02 OMB-01 DOE-11 STRE-00  
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P 071621Z MAR 78  
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TO SECSTATE WASHDC PRIORITY 6874  
INFO ALL OECD CAPITALS  
AMEMBASSY BUENOS AIRES

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USMTN

PASS ELECTRONICALLY STARKEY (STR) AND HATHAWAY/OYLOE  
(USDA)

E.O. 11652: N/A  
TAGS: MTN, ETRD  
SUBJECT: DAIRY SUBGROUP MEETING, FEBRUARY 28 - MARCH 3

1. SUMMARY. THE MTN DAIRY SUBGROUP HELD ITS SECOND MEETING OF 1978 FEBRUARY 28 - MARCH 3. THE U.S. PLAYED A COOPERATIVE BUT LOW-KEY ROLE ESPECIALLY DURING THE DISCUSSIONS ON MINIMUM PRICES FOR MILK POWDER AND BUTTER FAT. A LARGE PART OF THE DISCUSSIONS DEALT WITH TECHNICAL ISSUES CONCERNING THE PACKAGING AND PREPARATION OF THE PRODUCTS UNDER CONSIDERATION. THE DISCUSSIONS ON MINIMUM AND MAXIMUM PRICES AND THE GATT STATUS AS WELL AS THE LEGAL IMPLICATIONS OF THE PROPOSED ARRANGEMENT WERE HIGHLIGHTED BY REPEATED EC STATEMENTS THAT "WITHOUT LIMITED OFFICIAL USE

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U.S. AGREEMENT ON A DAIRY ARRANGEMENT INCLUDING A PROTOCOL ON CHEESE THERE WOULD BE NO MTN AGREEMENT IN JULY AS AMBASSADOR STRAUSS WISHES". END SUMMARY.

2. THE FOLLOWING IS A REPORT OF THE ARTICLE BY ARTICLE REVIEW OF GENERAL PROVISIONS: WORKING HYPOTHESIS, REV. 2 (MTN/DP/W/27/REV. 2).

A) PREAMBLE: IT WAS AGREED THAT A FINAL DECISION ON THE LANGUAGE OF THE PREAMBLE WOULD BE MADE WHEN THE BODY OF THE DAIRY ARRANGEMENT HAS BEEN AGREED UPON.

B) ARTICLE I - OBJECTIVES: A SIMILAR VIEW WAS EXPRESSED ON THE OBJECTIVES. THE U.S. (KOENIG) ASKED FOR CLARIFICATION OF THE PHRASE IN PARA 1 ON "MAKING CONDITIONS OF .... ACCESS .... MORE CERTAIN" AND IN PARA 2 ON "AN IMPROVED BASIS FOR .... INTERVENTIONS". WE RECEIVED NO DIRECT ANSWER, BUT THE CHAIR (LUCQ) SAID THE LATTER PHRASE WAS IN REFERENCE TO NATIONAL OBJECTIVES. CANADA (GIFFORD) STATED IT WOULD LIKE TO SEE THE PROVISIONS IN ART. IV PARA 5, PRESERVING COUNTRIES' GATT RIGHTS, IN THE OBJECTIVES. AUSTRALIA (FOGARTY) AND NEW ZEALAND (FARNON) AGREED THAT THE POINT SHOULD BE GIVEN PROMINENCE. THE U.S. ALSO AGREED, BUT SAID THAT SINCE OBJECTIVES WERE MERELY HORTATORY, THIS POINT SHOULD BE ALSO IN THE BODY OF THE AGREEMENT IN ORDER TO BE BINDING.

C) ARTICLE II - PRODUCT COVERAGE: NEW ZEALAND SUGGESTED ADDING "INTER ALIA" AFTER "IS DEEMED TO INCLUDE", TO ALLOW PARTICIPANTS TO RAISE ISSUES ON ALL DAIRY PRODUCTS. THE U.S. RESERVED ON EXTENDING THE AGREEMENT TO THE DAIRY INGREDIENTS OF PROCESSED PRODUCTS. THE EC (JACQUOT) AND AUSTRALIA SUPPORTED BROAD PRODUCT COVERAGE. LIMITED OFFICIAL USE

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D) ARTICLE III - INFORMATION: THE EC PROPOSED REMOVING THE BRACKETS IN PARA 2 ON BILATERAL AND PLURILATERAL COMMITMENTS, AND ARGENTINA (MARTINEZ) AGREED. THIS WOULD MEAN THAT CHANGES IN CONCERTED DISCIPLINES ON CHEESE WOULD BE NOTIFIED TO THE DAIRY PRODUCTS COUNCIL. AUSTRALIA AND THE U.S. FELT THE BRACKETED PHRASE WAS SUPERFLUOUS, SINCE CONCERTED DISCIPLINES WOULD BE PART OF THE GATT SCHEDULES, AND THUS FULLY SUBJECT TO THE NOTIFICATION AND CONSULTATION MECHANISM. NEW ZEALAND, HOWEVER, FAVORED REMOVING THE BRACKETS IN ORDER TO EMPHASIZE THE IMPORTANCE WHICH BILATERAL COMMITMENTS CARRY IN THIS ARRANGEMENT.

DISCUSSION ALSO AROSE ON THE ISSUE OF WHETHER EACH DAIRY MANAGEMENT COMMITTEE SHOULD HAVE ITS OWN INFORMATION CONSULTATION PROCEDURE, OR WHETHER A SINGLE DAIRY PRODUCTS COUNCIL SHOULD MANAGE IT ALL. AUSTRALIA AND NEW ZEALAND PREFER THE LATTER, MAKING THE ARRANGEMENT SIMPLER. HOWEVER, THE CHAIR POINTED OUT THAT, FOR INSTANCE, A COUNTRY MIGHT BECOME A MEMBER OF THE GENERAL AGREEMENT BUT NOT OF THE PROTOCOLS. SUCH A COUNTRY

COULD NOT DECIDE WHETHER THERE MAY BE DEROGATIONS ON  
E.G. SKIM MILK POWDER.

E) ARTICLE IV - CONSULTATION: COUNTRIES AGREED THAT ANY  
SUGGESTIONS RESULTING FROM CONSULTATIONS WOULD BE NON-  
BINDING. CANADA PROPOSED SOME LANGUAGE CHANGE IN PARA 2  
TO CLARIFY THIS POINT: ".... THE COUNCIL WOULD IDENTIFY  
POSSIBLE SOLUTIONS WHICH WOULD BE CONSIDERED BY GOVERN-  
MENTS." IN RESPONSE TO U.S. QUESTIONS, EC EXPLICITLY  
STATED THERE WOULD BE A NON-VOTING CONSENSUS PROCEDURE.  
EC ALSO AGREED WITH AUSTRALIA THAT ANY RECOMMENDED  
SOLUTIONS WOULD BE IN ACCORDANCE WITH GATT, BUT INTER-  
PRETED THIS TO MEAN IN ACCORDANCE WITH ARTICLE 20(H)  
PART OF THE GATT. THIS, OF COURSE, WOULD ALLOW FOR  
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COMPLETE ESCAPE FROM GATT OBLIGATIONS. AUSTRALIA SAID

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IT WOULD REFUSE TO SIGN AN ARRANGEMENT UNDER SUCH CONDITIONS. FOR EXAMPLE, THE DAIRY PRODUCTS COUNCIL COULD RECOMMEND THAT THE PARTICIPANTS RID THEMSELVES OF SURPLUSES BY SUBSIDIZING AT WILL. THIS WOULD BE CONTRARY TO THE GATT AND INTOLERABLE TO AUSTRALIA, BUT JUSTIFIED UNDER ARTICLE 20(H). FINALLY, CANADA SUGGESTED FURTHER DRAFTING CHANGES IN PARA 2 WHICH WERE NOTED.

F) ARTICLE II(A) - SAFEGUARDS: ARGENTINA INDICATED THAT IT MAY MAKE LATER A PROPOSAL ON THIS POINT.

G) ARTICLE V(B) - EXPORT SUBSIDIES: ARGENTINA ALSO EXPRESSED CONCERN ABOUT EC SUBSIDIES ON MILK POWDER AND BUTTER WHICH DISPLACE ARGENTINE EXPORTS IN CHILE AND LIMITED OFFICIAL USE

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PERU. ARGENTINA PROPOSED A NOTIFICATION PROCEDURE ON DAIRY SUBSIDIES. THE EC INSISTED THAT A SEPARATE EXPORT SUBSIDY PROVISION WAS UNNECESSARY, SINCE CONCERTED DISCIPLINES AND MINIMUM PRICES TOOK CARE OF THE MATTER. AUSTRALIA ADAMANTLY DISAGREED, STRESSING THAT A RESOLUTION OF THE SUBSIDY ISSUE IS FUNDAMENTAL TO THE MTN AND THAT IT WOULD NOT GIVE INDUSTRIAL CONCESSIONS WITHOUT PROGRESS IN AGRICULTURE. NEW ZEALAND SAID THAT CONCERTED DISCIPLINES AND MINIMUM PRICES MAY HELP, BUT THEY CERTAINLY WON'T SOLVE THE SUBSIDY PROBLEM. THE U.S. POINTED OUT THAT IT IS FAR FROM CLEAR WHETHER ALL COUNTRIES WILL ENTER CONCERTED DISCIPLINES, AND ASKED WHETHER THE EC WOULD NEGOTIATE CONCERTED DISCIPLINES FOR ACCESS TO ITS BUTTER MARKET. THE U.S. ALSO READ THE TEXT FROM TPSC 78-21 ON EXPORT SUBSIDIES, WHICH WE LATER PASSED TO EC AT THEIR REQUEST. EC CONCLUDED BY REITERATING THE EC INSISTENCE THAT MULTILATERAL RULES OF CONDUCT BE NEGOTIATED BEFORE CONCERTED DISCIPLINES BE CONCLUDED.

H) ARTICLE V(C) - HEALTH AND VETERINARY MEASURES: QUESTIONS AROSE ON HOW THE DAIRY PRODUCTS COUNCIL AND THE BODY GOVERNING THE STANDARDS CODE PROCEDURES WOULD COORDINATE INFORMATION, IF DAIRY STANDARDS WERE TO BE NOTIFIED SPECIALLY. THE U.S., NEW ZEALAND, AND AUSTRALIA STATED THAT THE CODE WOULD APPLY GENERALLY TO DAIRY PRODUCTS AND THUS SEPARATE NOTIFICATIONS ON DAIRY STANDARDS WOULD BE UNNECESSARY.

I) ARTICLE V(D) - PACKAGING: THE EC SUGGESTED INCORPORATING THIS WITH (C) BUT ARGENTINA OBJECTED.

J) ARTICLE V(E) - SPECIAL CONDITIONS: FOOD AID AND NON-LIMITED OFFICIAL USE

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COMMERCIAL SALES WOULD BE COVERED HERE.

K) ARTICLE VI - PROTOCOLS: THE EC WANTED TO REMOVE THE BRACKETS ON THE ANNEX III ON CHEESE. AUSTRALIA OBJECTED, SAYING THE NECESSITY FOR A PROTOCOL ON CHEESE IS NOT AT ALL EVIDENT. IF THERE IS A PROTOCOL ON CHEESE, WHY NOT ONE ALSO ON CASEIN? OR ANY OTHER DAIRY PRODUCT? NEW ZEALAND LIKEWISE DID NOT SEE THE NEED FOR A SEPARATE PROTOCOL FOR CHEESE. RATHER, NEW ZEALAND'S PROPOSAL FOR AN ARTICLE VII AND ANNEX III, (SECOND APPROACH), WAS PREFERABLE BECAUSE IT COVERED ALL NEGOTIATED ACCESS COMMITMENTS, USING ALL TECHNIQUES AND GOING BEYOND JUST CHEESE. AUSTRALIA, ON THE OTHER HAND, WOULD HAVE ONLY MINIMUM PRICE AGREEMENTS IN THE PROTOCOLS AND SIMPLY PUT ALL OTHER AGREEMENTS NEGOTIATED ON A REQUEST/OFFER BASIS (INCLUDING CHEESE) IN THE GATT SCHEDULES. THE U.S. EXPRESSED THE VIEW THAT CONCERTED DISCIPLINES SHALL NOT BE THE EXCLUSIVE BASIS FOR CHEESE NEGOTIATIONS, THAT THE RESULTS OF SUCH NEGOTIATIONS MUST BE ENTERED IN GATT SCHEDULES AND THAT COUNTRIES SHOULD BE ABLE TO PARTICIPATE SELECTIVELY IN THE AGREEMENTS CONTAINED IN THE ANNEXES.

THE CHAIR ASKED WHETHER THE EC WOULD NEGOTIATE CONCERTED DISCIPLINES PER PARA 2 (PAGE 16 REV. 2), IF A COUNTRY HAD NOT AGREED TO RULES OF CONDUCT PER PARA 1? THE EC SAID NO AND STATED MOREOVER, THAT THERE WILL BE NO RESULTS IN JULY AS STRAUSS WANTS UNLESS THE U.S. SIGNS A PROTOCOL ON CHEESE INCLUDING MULTILATERAL RULES OF CONDUCT. JAPAN ADDED THAT IT WOULD NOT OBJECT TO NEGOTIATING ON CHEESE BUT WOULD NOT NECESSARILY ACCEPT THE PROPOSED ARRANGEMENT AND PARTICULARLY THE PROPOSED RULES OF CONDUCT.

THE U.S., JAPAN AND AUSTRALIA POINTED OUT PERVERSE LOGIC IN THE EC'S POSITION: THE EC WANTS ITS PARTNERS LIMITED OFFICIAL USE

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TO ACCEPT THE CHEESE PROTOCOL WITHOUT INDICATING ITS CONTENTS. AUSTRALIA EMPHASIZED THAT IT DOESN'T WANT NEW RULES ON CHEESE OUTSIDE OF THE GATT. JACQUOT ONCE AGAIN SAID: NO RULES ON CHEESE, NO DAIRY AGREEMENT.

L) ARTICLES VIII-IX - ADMINISTRATION AND FINAL PROVI-

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SIONS: DISCUSSION HERE WAS BRIEF.

3. A REPORT OF THE ARTICLE BY ARTICLE REVIEW OF ANNEXES  
I, II AND III OF DOCUMENT MTN/DP/W/27/REV. 1 WILL  
FOLLOW.

4. THE NEXT MEETING WAS TENTATIVELY SET FOR APRIL 17.

5. DRAFTED BY SEASTRUM. CULBERT

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DAIRY PRODUCTS, COMMITTEE MEETINGS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**TAGS:** ETRD, MTN  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odhc://SAS/SAS.dbo.SAS\_Docs/1bd532cc-c288-dd11-92da-001cc4696bcc  
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